



2015 General Fund Budget City Manager's Recommendations

City Commission Work Session
November 12, 2014



2015 General Fund Budget



General Fund	2011 Actuals	2012 Actuals	2013 Actuals	2014 Original Budget	2014 Revised Budget	2015 Original Budget	'14 Rev. to '15 Orig. \$ Chg.	'14 Rev. to '15 Orig. % Chg.
Revenues	154.5	155.1	156.0	155.5	154.7	155.8	1.1	0.7%
Use of Cash Reserve	0.5	0.0	0.0	3.0	2.9	2.5	(0.4)	-14%
27th Payroll Transfer	0.0	0.0	0.0	0.0	0.0	2.3	2.3	N.A.
Total Sources	154.9	155.1	156.0	158.5	157.6	160.5	3.0	1.9%
Total Uses	150.1	151.8	154.7	158.5	157.6	160.5	3.0	1.9%
Annual Balance	4.8	3.2	1.3	0.0	0.0	0.0	0.0	N.A.

Notes:

1. Does not include special projects, which are reported separately.
2. Budget numbers do not include appropriated fund balance.

All numbers in \$ millions.

Numbers may not sum due to rounding.

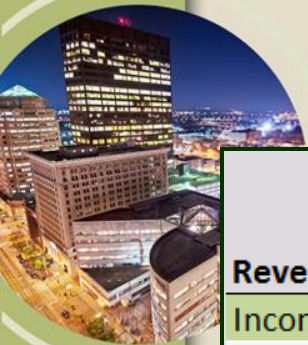


2015 General Fund Revenue Forecast

(all numbers in \$ millions)

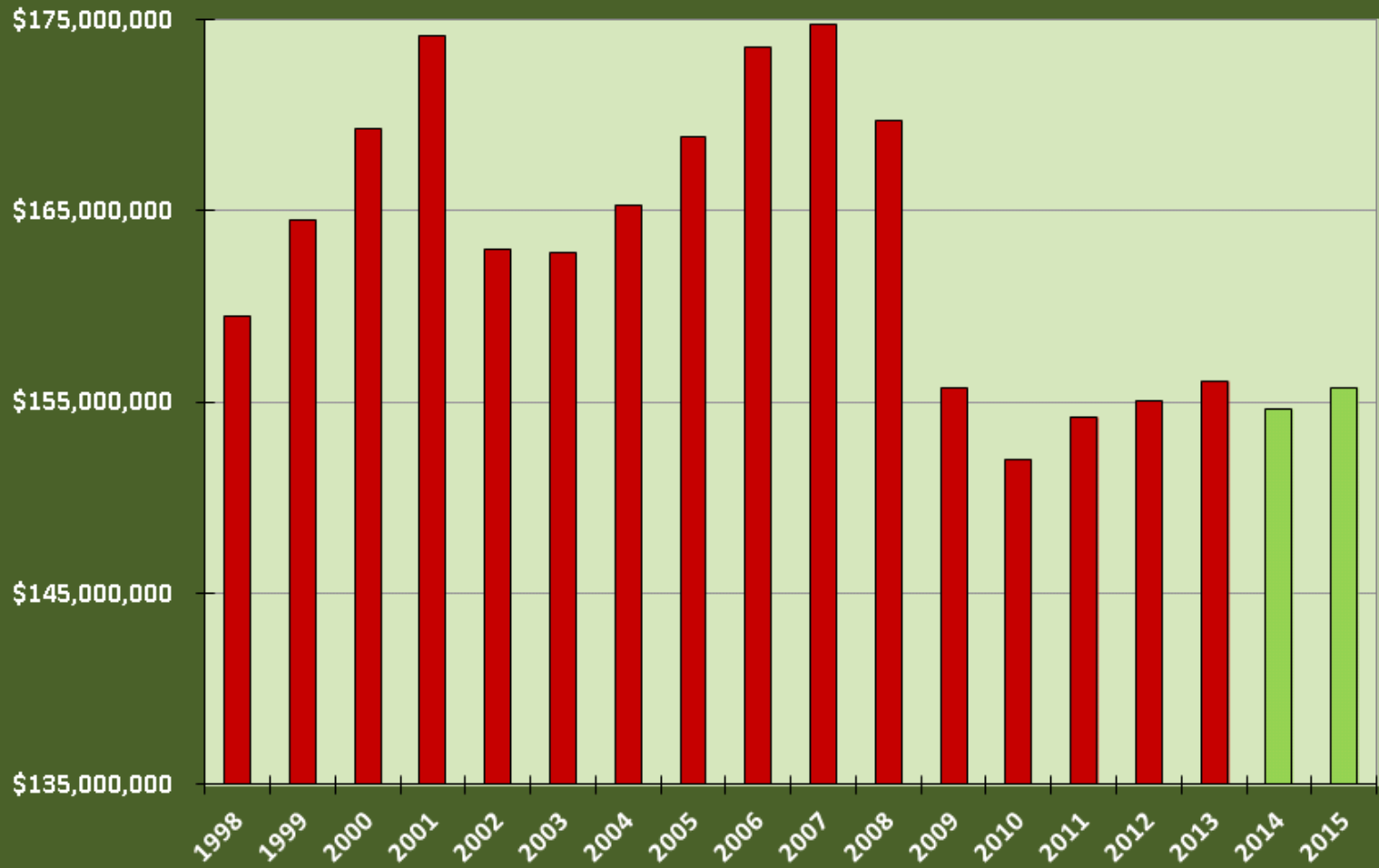
Revenue Category	2011 Actuals	2012 Actuals	2013 Actuals	2014 Original Budget	2014 Revised Budget	2015 Original Budget	'14 Rev. to '15 Orig. \$ Chg.	'14 Rev. to '15 Orig. % Chg.
Income Tax	99.7	101.5	101.9	102.7	102.1	103.6	1.5	1.5%
Property Tax	7.4	6.0	5.7	5.5	5.7	5.2	(0.5)	-8.1%
Local Gov't Fund	13.0	9.0	6.9	6.8	6.8	6.9	0.1	1.7%
Fees/Charges/Other	30.0	33.3	33.7	31.3	31.3	31.5	0.2	0.8%
EMS Fee	4.5	4.6	4.8	4.9	4.6	4.7	0.1	2.0%
Casino Revenue	0.0	0.7	3.0	3.2	3.2	3.3	0.1	3.0%
Racino Payment	0.0	0.0	0.0	1.0	1.0	0.5	(0.5)	-50%
Total Revenues	154.5	155.1	156.0	155.5	154.7	155.8	1.1	0.7%
Use of Cash Reserve	0.5	0.0	0.0	3.0	2.9	2.5	(0.4)	N.A.
Total Sources	154.9	155.1	156.0	158.5	157.6	158.3	0.7	0.4%
27th Payroll Transfer	0.0	0.0	0.0	0.0	0.0	2.3	2.3	N.A.

1. The 2014 revised forecast is \$800,000 less than the original and \$1.3 million less than 2013 actuals.
2. The 2015 original forecast is \$1.1 million more than the 2014 revised, before use of the cash reserve and the 27th pay transfer.
3. General Fund revenues have been stalled at the ~\$155 million level for 4 years.





Total General Fund Revenue



* 2014 & 2015 are Estimates

originals wanted

Income Tax Collections vs. Inflation

Represents about 66% of General Fund Revenue





2015 Expenditure Budget Highlights

1. Police recruit class of 28 beginning in October.
2. COPS grant expiration and transition to General Fund (10 Police Officers).
3. Fire recruit class of 16 beginning in January.
4. Public Works maintenance budget (Riverside contract is up for bid in 2015). Street light services fully operational.
5. Recreation facilities and programs will be maintained.
6. Transportation Center Garage and Convention Center projecting the need for General Fund support.

2015 Expenditure Budget Highlights

7. Technology issues: VOIP telephone savings, Building Services software.
8. Development Fund at \$2.5 million, down from \$5 million in 2014 (\$3 million normal funding level).
9. Equipment – Radios major purchase, other equipment underfunded.
10. Capital improvement budget presentation in January.
11. Performance measure revisions.
12. 27th Payroll (primarily Police and Fire).



Future Budget Work Session Schedule



Police	11/26/2014	9:30 a.m.	11:00 a.m.
Fire			
Public Works	12/3/2014	3:30 p.m.	5:30 p.m.
Recreation & Youth Services (Includes Convention Center)			
Water			
Finance	12/10/2014	9:30 a.m.	11:00 a.m.
Central Services			
Overview 2014 Final Revised Appropriation			
Economic Development	12/17/2014	3:30 p.m.	5:30 p.m.
Building Services			
Planning & Community Development			
Aviation	12/23/2014	9:30 a.m.	11:00 a.m.
General Fund Wrap Up	(Tuesday)		
Back Up Date	12/31/2014	9:30 a.m.	11:00 a.m.



Thank you.

Questions?





Appendix



General Fund Cash Reserve

(all numbers in \$ millions)



CASH RESERVE			
January 2014 Cash Reserve	\$	25.1	
Less Planned Use of Cash Reserve	\$	(2.9)	Revised from \$3.0M
Total 2014 Cash Reserve	\$	22.2	
Estimated 2014 Cash Reserve Range	\$	31.6	Maximum (10-weeks)
	\$	19.0	Minimum (6-weeks)
Reserve over Minimum	\$	3.3	
Less increase to cover 2015 Appropriation	\$	(0.2)	
Estimated Available Reserves	\$	3.0	Over Minimum
2015 Planned Use of the Cash Reserve	\$	(2.5)	
2015 Estimated Amount over Minimum	\$	0.5	

Note: The cash reserve can fluctuate from year to year based on the amount of outstanding encumbrances at year end.



2015 Use of the Cash Reserve

1. We will not go below our policy minimum.
2. We will begin discussions in early 2015 on a plan for long term financial sustainability.
3. State legislative actions may significantly impact the 2015 budget necessitating cuts to critical services and investments.



2015 General Fund Revenue Assumptions

Revenue Advisors provided input into the development of the forecast.

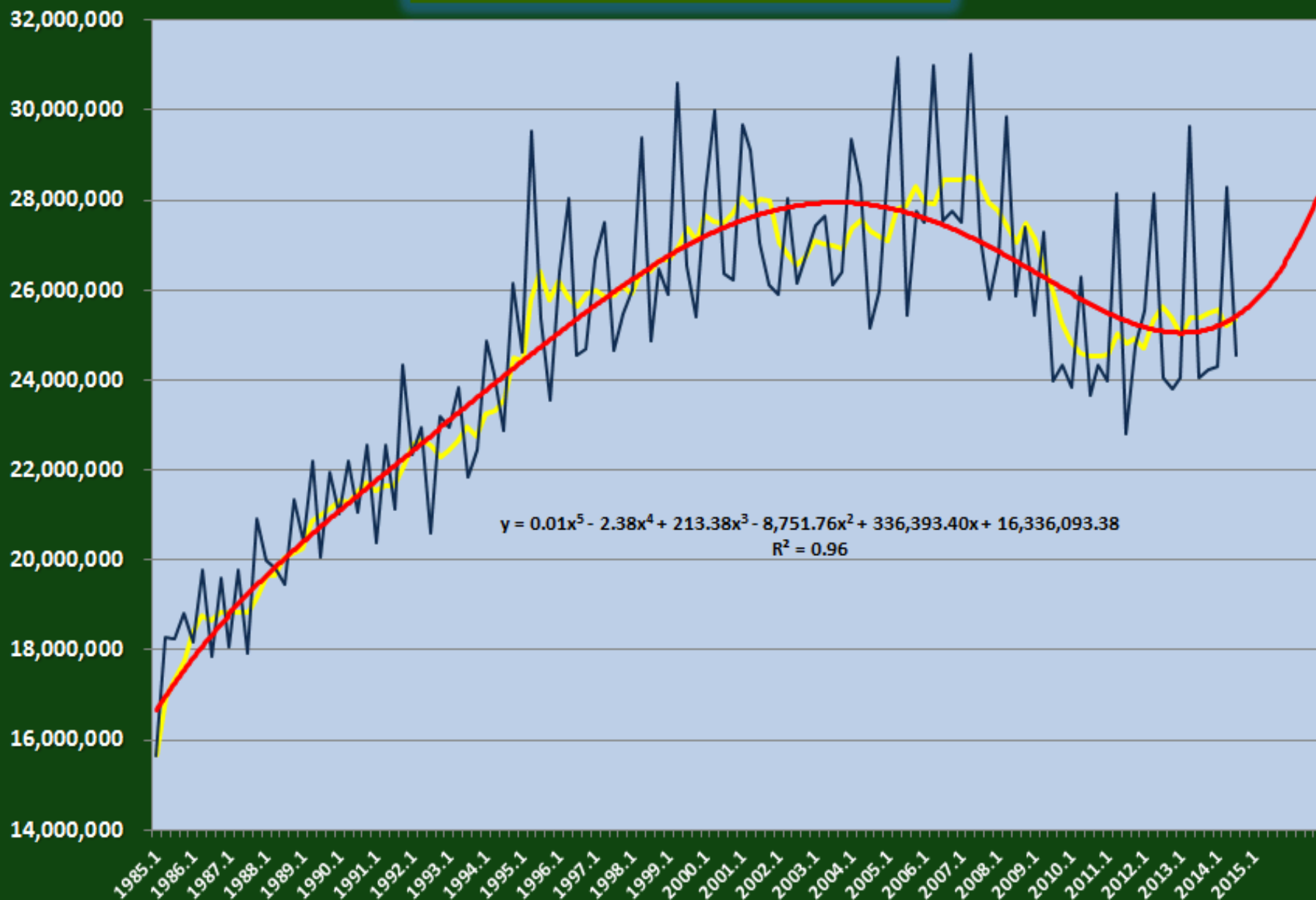
1. Income Tax

- A. Usual forecast method averaging 5 independent forecasts.
- B. 2014 forecast revised down from the 0.8% growth in the original forecast to just 0.2% or \$160,000 over 2013.
- C. Forecast for 2015 projects income tax will grow a modest 1.5% over the revised (or 0.9% over the 2014 original forecast).
- D. The forecast assumes continued positive momentum for withholding collections due to increased local economic activity, an improving economy along with more stable revenue for net profits.
- E. The forecast does not incorporate any reductions associated with potential state law changes to municipal tax codes.



Income Tax Collections by Quarter

Actual and Moving Average



2015 General Fund Revenue Assumptions

Income Tax Forecasts



2013		101,934,268
Time Series Regression		
2014	2015	Weight
103,289,700	104,462,300	20%
1.3%	1.1%	
Exponential Smoothing		
2014	2015	Weight
101,609,300	102,957,600	20%
-0.3%	1.3%	
Trend Forecast with Adjustments		
2014	2015	Weight
101,264,900	103,675,600	20%
-0.7%	2.4%	
Judgment Forecast		
2014	2015	Weight
101,911,100	103,440,000	20%
0.0%	1.5%	
Econometric Model		
2014	2015	Weight
102,396,900	103,559,000	20%
0.5%	1.1%	
Weighted Average of Methods		
2014	2015	Weight
102,094,400	103,618,900	100%
0.2%	1.5%	



2015 General Fund Revenue Assumptions

2. Property Tax

- A. Property taxes are projected at \$5.2 million, a decline of \$456,900 or 8.1% from the revised 2014 estimate.
- B. The estimate is predicated on the preliminary estimates obtained from the Montgomery County Auditor and assumes a 9% reduction in residential values and 5% decrease in commercial values due to recent revaluation.
- C. Assumes a slightly higher collection rate of 93.5%, with 87% on the current levy and 6.5% from prior year's delinquent balances.
- D. Although over 2,000 parcels are eligible for the negotiated tax lien sale, the forecast assumes no additional revenue.
- E. From 2012 to 2014, 0.5 mills were shifted from the General Fund to the Bond Retirement Fund to help offset the loss of funds for debt financing.



2015 General Fund Revenue Assumptions

Property Values , in \$millions

	2003**	2004	2005	2006*	2014	2015 Preliminary**	'14-'15 % Chg.	Peak-'15 Chg.
Ag & Residential	1,065.62	1,071.34	1,078.96	1,216.50	1,018.58	922.36	-9.4%	-24.2%
Commercial & Industrial	539.84	547.33	550.72	571.81	433.10	411.38	-5.0%	-28.1%
Public Utility	0.90	0.95	0.95	0.95	1.59	1.59	0.0%	67.5%
Real Estate Values	1,606.36	1,619.62	1,630.63	1,789.26	1,453.26	1,335.33	-8.1%	-25.4%
PU Personal Value	105.85	106.00	100.64	96.54	92.73	92.73	0.0%	-4.0%
Tangible Pers. Prop. Value	387.33	318.07	324.63	220.54	0.00	0.00	N.A.	-100.0%
\$10,000 Exemption	14.73	13.26	11.78	10.31	0.00	0.00	N.A.	-100.0%
35 Percent Appraised Value	2,114.27	2,056.94	2,067.69	2,116.65	1,545.99	1,428.06	-7.6%	-32.5%
Full Appraised Value	6,040.76	5,876.98	5,907.69	6,047.58	4,417.11	4,080.16	-7.6%	-32.5%

Notes:

1. * indicates triennial update and ** indicates six-year revaluation.
2. Tangible personal property taxes were phased out in 2004 Tax Reform and replaced with a reimbursement from the Commercial Activity Tax that was eliminated in 2011 for current expense levies.

Since reaching their peak in 2006, real estate values have declined 25%, while the state eliminated the tax, and later the reimbursements for tangible personal property. As a result, total values have fallen by nearly one-third.



2015 General Fund Revenue Assumptions

3. Local Government Fund

- A. The LGF is projected at \$6.9 million, up slightly from 2014.
- B. The forecast reflects the state certified estimate released in August of 2014.
- C. State budget cuts have erased about half of this source since 2011 (and is down over \$9 million from its high of \$15.9M).
- D. Although allocations reverted back to a fixed percentage (1.66%) of state General Revenue Fund sources, continued state tax changes have stalled the growth in this revenue.

4. EMS Fees

- A. EMS fees are projected at \$4.7 million or 2% higher than the 2014 revised forecast based on current trends.
- B. EMS transports and revenues reflect higher collection rates offset by an increase in the percentage of basic life support runs.



2015 General Fund Revenue Assumptions

5. Fees, Charges & Other Sources

- A. Fees and Charges are expected to increase \$239,300 or a slight 0.8% over the revised 2014 estimate to \$31.0 million.
- B. Despite recent threats to its repeal, Public Safety Photo Enforcement is projected to generate \$1.4 million net of related expenses.
- C. Offsetting revenue reductions associated with non-recurring revenues (BWC payment, Estate taxes) a few categories are expected to grow in the upcoming year. Recreation fees are expected to continue their solid pace of growth, revenues from the sale of equipment is projected at \$200,000 and inflationary increases are forecasted for several other categories.



2015 General Fund Revenue Assumptions

6. Casino Taxes

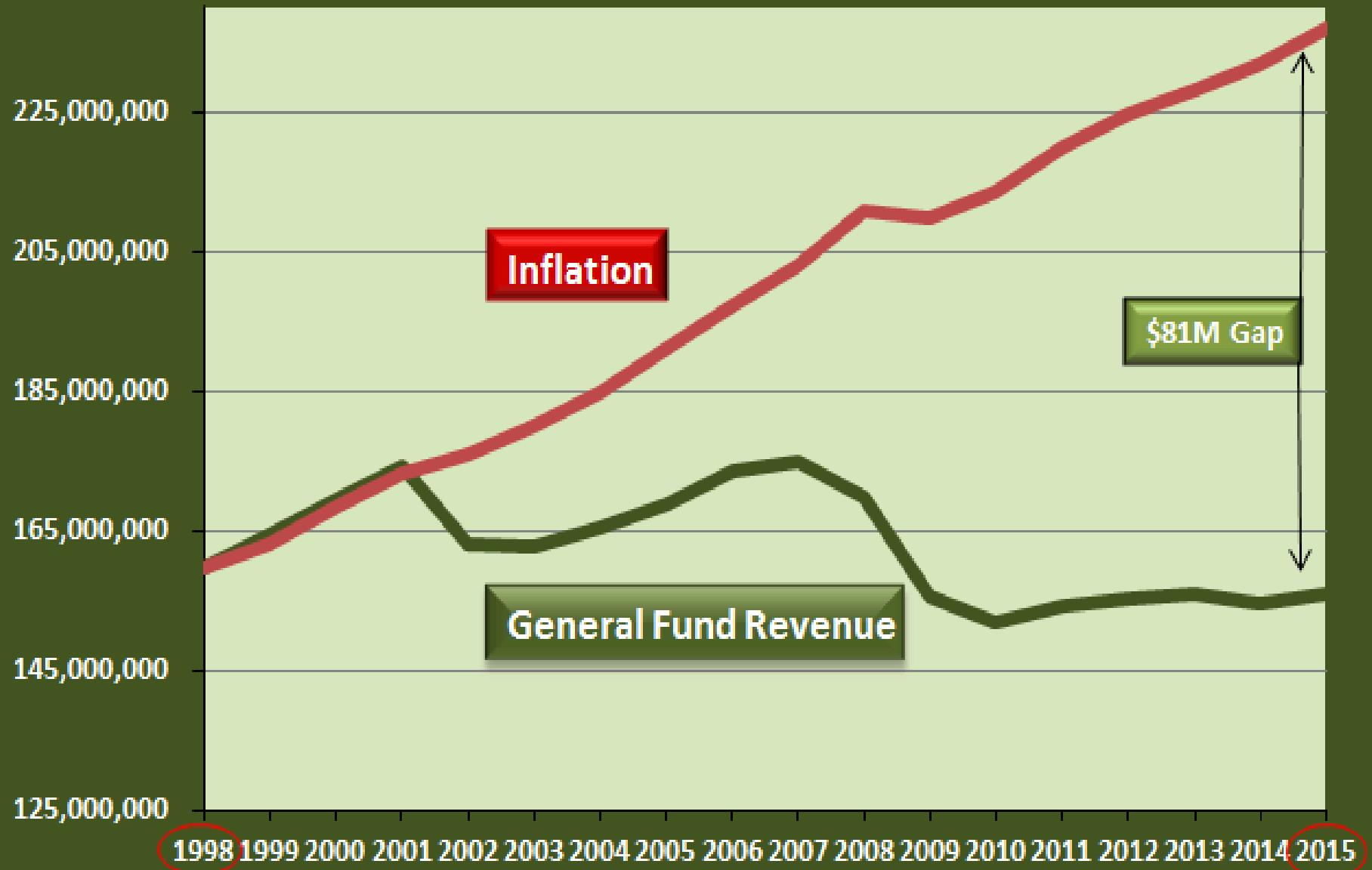
- A. Dayton's share of 2015 casino taxes is estimated at \$3.3 million, which is \$96,400 higher than actual receipts in 2014.
- B. The estimate is based on "adjusted gross revenue" trends and has been adjusted down to reflect half of the 6% growth projected by the state.
- C. Payments are made to local governments the month following the calendar quarter.

7. Racino Payment

- A. The City received two \$1 million payments from the Racino operator, the first in 2013 and the second in 2014.
- B. State law requires that 50% of the proceeds be used for capital investments.
- C. State law states that the governor will use best efforts to negotiate with Racino operators for an ongoing \$500,000 payment with the first payment by Dec. 31, 2014.
- D. We have included the \$500,000 payment in the 2015 revenue forecast and plan to dedicate the funds toward capital improvements.



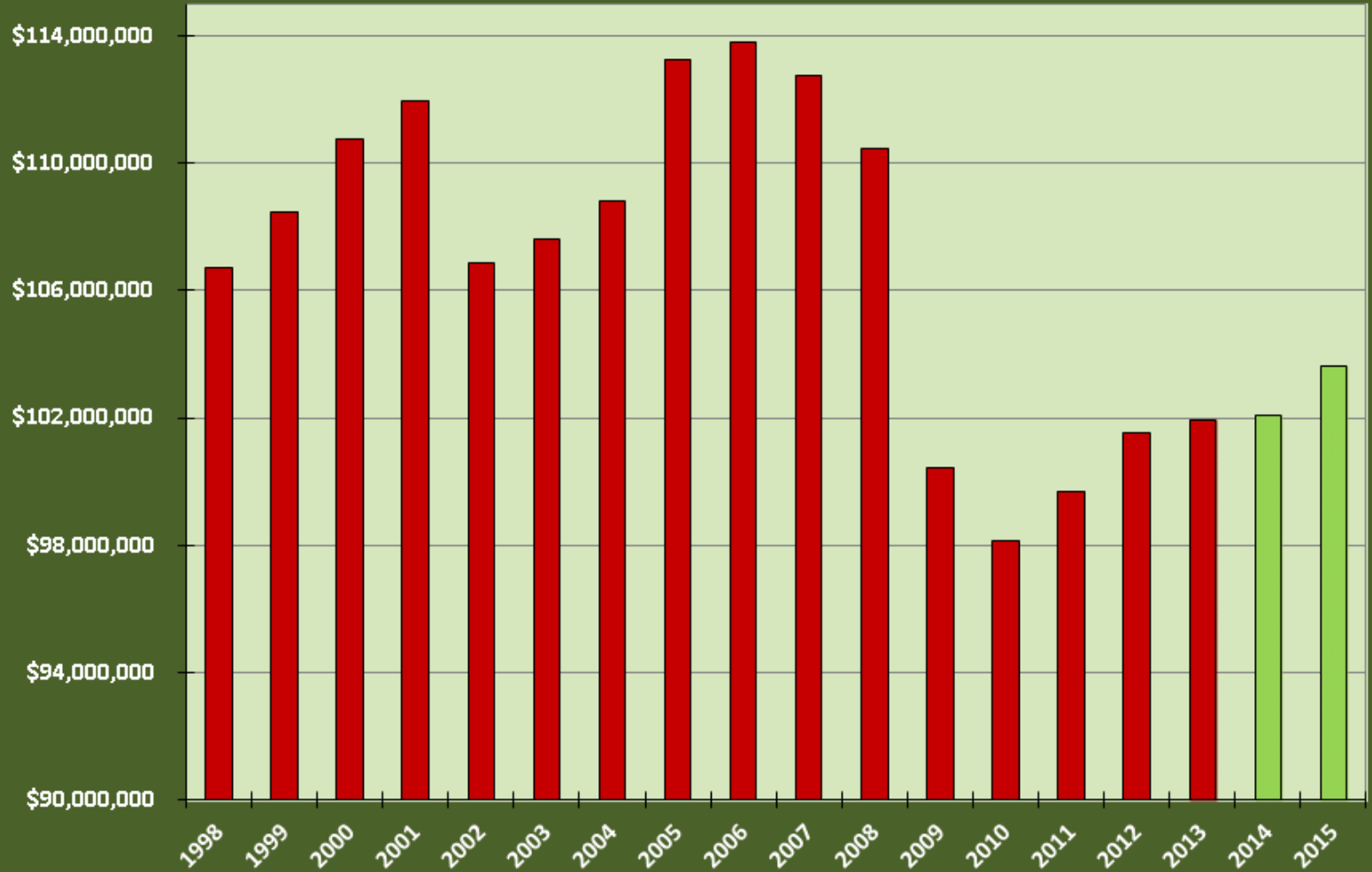
General Fund Revenue* vs. Inflation



* Excluding Special Projects



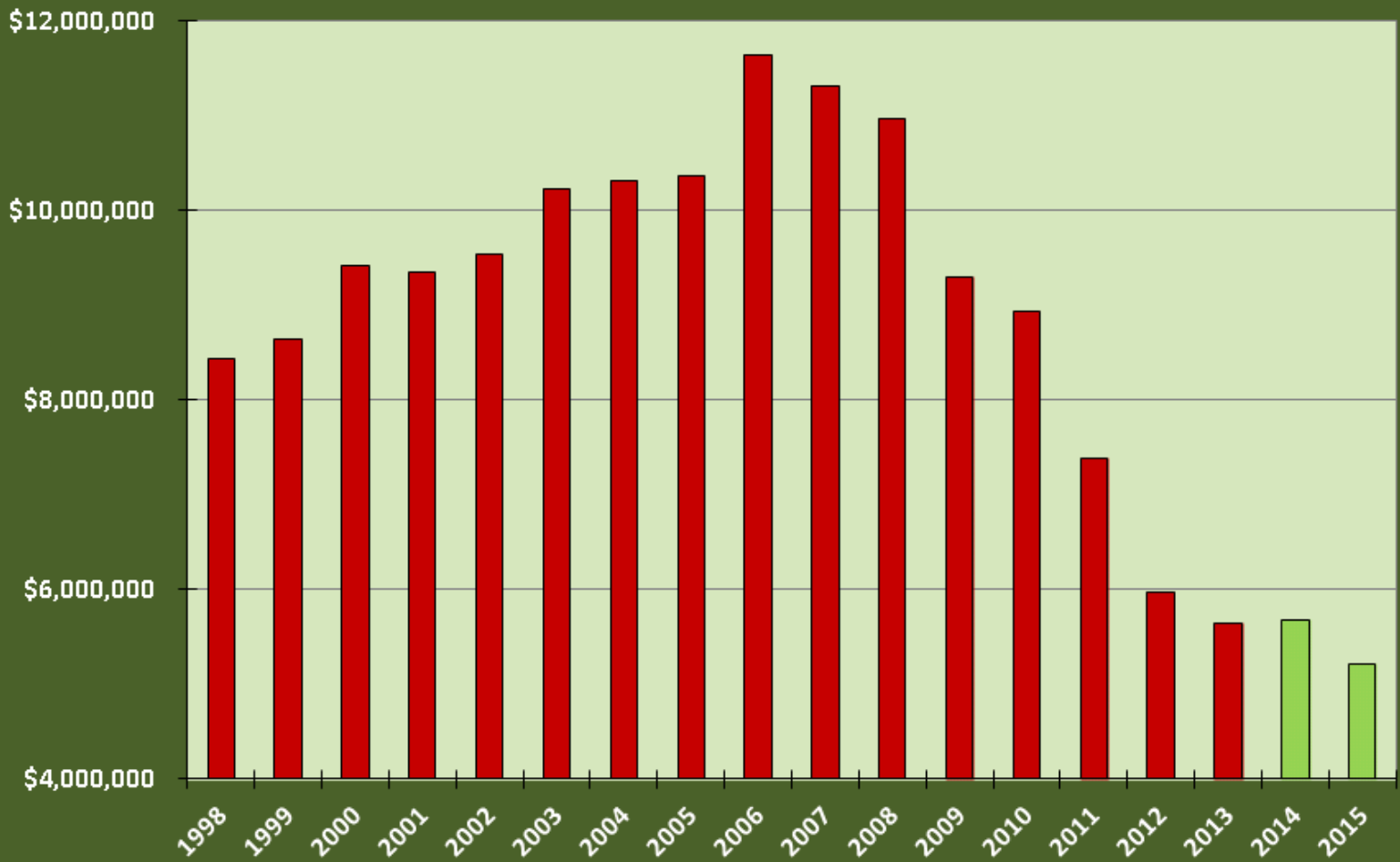
Income Tax Collections



* 2014 & 2015 are Estimates



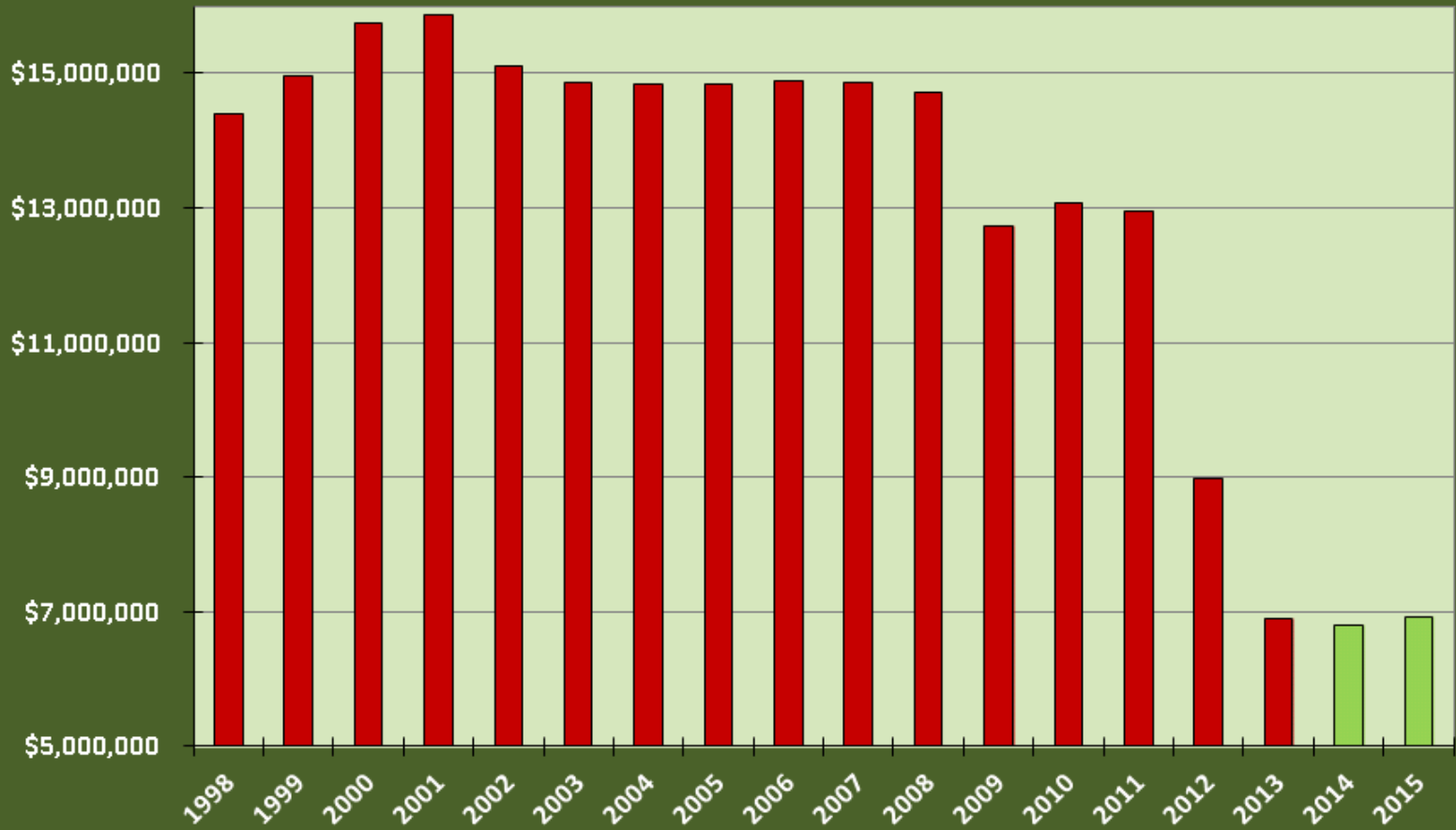
Property Tax Collections



* 2014 & 2015 are Estimates, General Fund Only



Local Government Fund

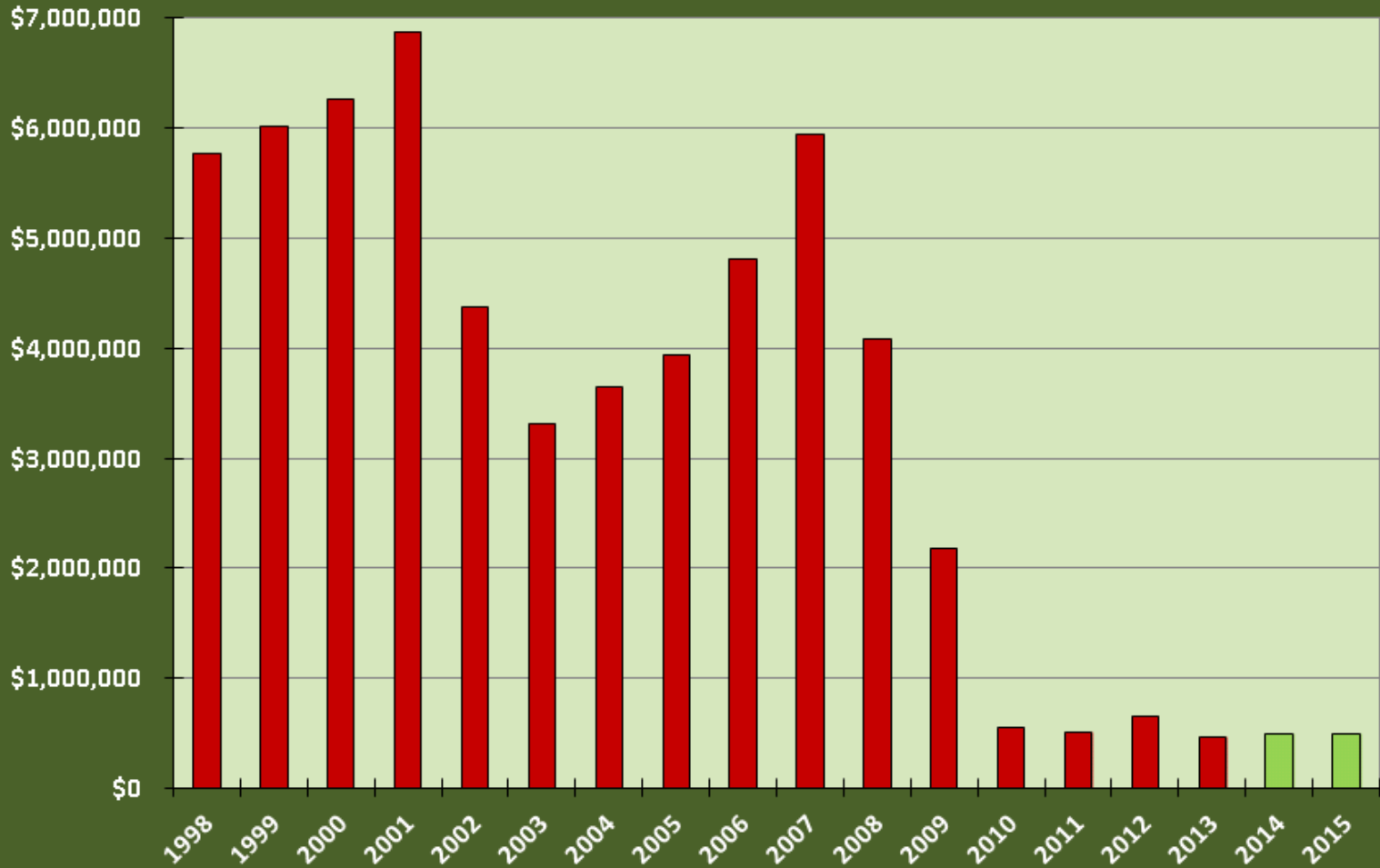


* 2014 & 2015 are Estimates

originals wanted



Interest Earnings

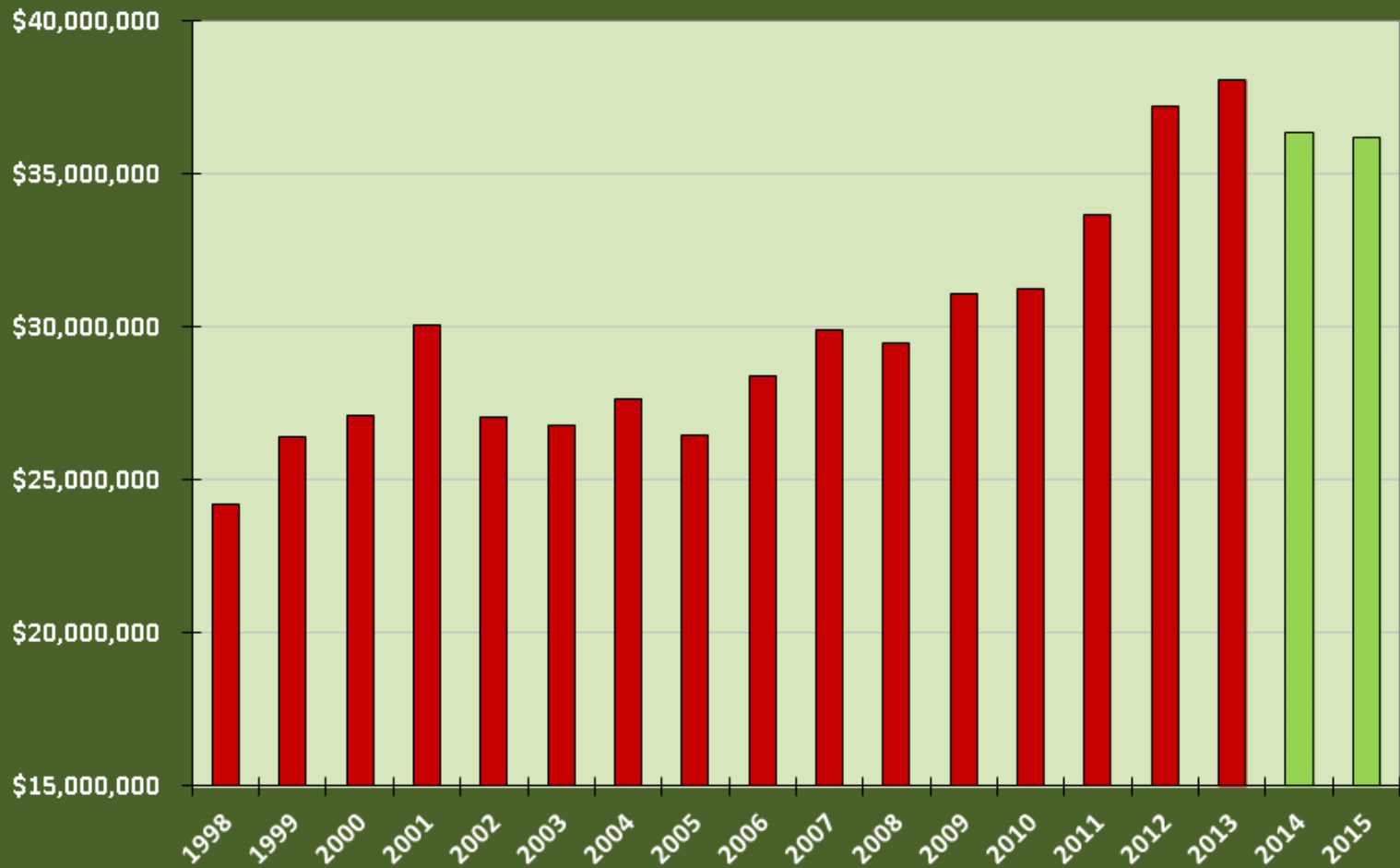


* 2014 & 2015 are Estimates

originals wanted



Other Revenue



* 2014 & 2015 are Estimates, Does not include special projects



Expenditure Budget Summary

2015 General Fund Expenditures

1. General Fund Overview

- A. The 2015 General Fund budget reflects minimal growth.
- B. While the 2015 budget includes a higher funding level for investments, we continue to be significantly underfunded in this area.
- C. Some budgets are experiencing increased fleet charges as some equipment is aging beyond its useful life but cannot be replaced at this time.
- D. A Customer Service Team has been created to focus on this issue in 2015 with a specific emphasis on front line response.
- E. Costs in the General Fund are \$700,000 less than they would have been in 2015 but for the implementation of VOIP technology for the phone system.
- F. Health Insurance cost containment is allowing us to maintain 2015 rates at the same level as 2014.



2015 General Fund Expenditures

2. Police

- A. Budget reflects 2% growth including the 27th payroll (\$1 million).
- B. Attrition for sworn officers was higher than planned in 2014. We assumed attrition of 15 but are now likely to see that number at 23. In September, 2014, 21 Police recruits graduated to Police Officer.
- C. As a result we have a recruit class of 28 planned for 2015 starting in October, graduating in April, 2016.
- D. The 2015 budget reflects full implementation of the MDCs and other technology solutions. However, vehicle replacements are underfunded.
- E. The second group of officers (10) funded from the COPS grant transition to the General Fund in July, 2015.



2015 General Fund Expenditures

3. Fire

- A. Fire's 2015 budget reflects a 3% growth and assumes the same deployment strategy used in 2014 (i.e. staffing 12th fire apparatus only if staffing is available).
- B. Fire plans new hires in 2015 (including 16 Firefighters, 3 Paramedics, 5 EMTs) to offset attrition -- total staffing count is level with 2014.
- C. Fire has been successful in securing grant dollars to replace major apparatus and radios.
- D. Fleet charges are up 20% (\$200,000) based on 2014 actual experience.
- E. Focus on prevention efforts will continue in 2015.



2015 General Fund Expenditures

3. Public Works

- A. Public Works budget reflects a 2% increase in overall funding.
- B. The Street Lighting Special Assessment (SLSA) Fund will be budgeted for its first full year in 2015. Staffing has been added to ensure timely maintenance of street lights and related foliage removal.
- C. Service levels will remain largely the same as 2014 with the exception being challenges related to snow removal (due to lack of available salt supplies).
- D. Street Maintenance is budgeting a 37% (\$55,000) increase in fleet maintenance charges as aging equipment results in a higher level of repairs.
- E. A new arborist is on board and a tree inventory will soon be underway. Funding is needed for mass tree removal given the number of diseased trees that exist.



2015 General Fund Revenue Assumptions

4. Recreation/Convention Center/Transportation Center

- A. Current service levels will continue in Recreation and Youth Services operations.
- B. The Transportation Center will require a \$162,000 subsidy.
- C. The Convention Center requires \$112,000 subsidy largely due to a higher budget for utilities.

5. Golf

- A. The Golf Fund is projected to achieve a balanced budget in both 2014 and 2015.
- B. Limited funding is available for Golf's equipment and facility needs.
- C. Special programs targeted at Racino customers may yield additional revenue in 2015.



2015 General Fund Expenditure Budget

6. Development

- A. The Development Fund is funded at \$2.5 million (down from the escalated level of \$5 million in 2014 but only \$500,000 under the normal funding level. The DP&L negotiated payment of \$350,000 will help offset the reduction (2 year agreement).
- B. HUD funding is expected to decline and fewer funds are available for discretionary projects (\$400,000 or less).
- C. Economic Development reflects a reduction in budget for outside professional services which have assisted with pre-development work.



2015 Performance Measures

- A. Departments are updating their 2015 performance measures.
- B. Information will be useful as we review the City's service package early in the year.
- C. New on-line reporting system is working well.
Need to develop systematic reporting process so the information can be shared with the City Commission and citizens.



2015 General Fund Expenditure Budget



Department	2014 Final Orig. Approp.	Pct. of Total	2015 CM Recom. Budget	Pct. Chng.	Dollar Change	Pct. of Total
Police	48,294,200	30.5%	49,252,000	2.0%	957,800	30.7%
Fire	36,104,200	22.8%	37,209,900	3.1%	1,105,700	23.2%
Public Safety	84,398,400	53.3%	86,461,900	2.4%	2,063,500	53.9%
Public Works	19,032,600	12.0%	18,130,400	-4.7%	(902,200)	11.3%
Central Services	15,167,000	9.6%	14,213,200	-6.3%	(953,800)	8.9%
Recreation	3,418,100	2.2%	3,476,000	1.7%	57,900	2.2%
Convention Center	2,039,100	1.3%	2,215,800	8.7%	176,700	1.4%
Transportation Center	531,500	0.3%	660,100	N/A	128,600	0.4%
Building Services	2,699,700	1.7%	2,749,100	1.8%	49,400	1.7%
Water	79,000	0.0%	75,000	-5.1%	(4,000)	0.0%
Capital Projects	705,200	0.4%	3,500,000	396.3%	2,794,800	2.2%
Other Front Line Services	43,672,200	27.6%	45,019,600	3.1%	1,347,400	28.0%
Municipal Courts	3,978,000	2.5%	3,975,200	-0.1%	(2,800)	2.5%
Clerk of Courts	3,306,200	2.1%	3,371,700	2.0%	65,500	2.1%
Courts	7,284,200	4.6%	7,346,900	0.9%	62,700	4.6%
Planning & Comm. Dev.	1,689,400	1.1%	1,614,900	-4.4%	(74,500)	1.0%
Economic Development	1,146,000	0.7%	1,054,500	-8.0%	(91,500)	0.7%
Development Fund	3,000,000	1.9%	2,500,000	-16.7%	(500,000)	1.6%
Special Dev. Allocation in 2014	2,000,000	1.3%	-	-100.0%	(2,000,000)	0.0%
Economic and Comm. Development	7,835,400	4.9%	5,169,400	-34.0%	(2,666,000)	3.2%

2015 General Fund Expenditure Budget

Department	2014 Final Orig. Approp.	Pct. of Total	2015 CM Recom. Budget	Pct. Chng.	Dollar Change	Pct. of Total
Finance	3,056,000	1.9%	2,979,200	-2.5%	(76,800)	1.9%
Law	2,584,000	1.6%	2,622,600	1.5%	38,600	1.6%
City Manager Office	1,220,000	0.8%	1,220,600	0.0%	600	0.8%
Management & Budget	882,000	0.6%	882,000	0.0%	-	0.5%
Human Resources	797,000	0.5%	882,900	10.8%	85,900	0.6%
Public Affairs	765,000	0.5%	659,600	-13.8%	(105,400)	0.4%
Corporate Functions	9,304,000	5.9%	9,246,900	-0.6%	(57,100)	5.8%
Clerk of Commission	1,012,000	0.6%	1,044,400	3.2%	32,400	0.7%
Civil Service	1,257,000	0.8%	1,235,200	-1.7%	(21,800)	0.8%
Human Relations Council	730,000	0.5%	757,900	3.8%	27,900	0.5%
City Commission Agencies	2,999,000	1.9%	3,037,500	1.3%	38,500	1.9%
Multi-Department	2,971,800	1.9%	4,228,300	42.3%	1,256,500	2.6%
Total General Fund	158,465,000	100.0%	160,510,500	1.3%	807,600	100.0%
Less 27th Payroll			(2,250,500)			
Total General Fund Without 27th Pay	158,465,000		158,260,000	-0.1%	(379,400)	